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THE Farm Cost SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE
FCS-15 BAE OCTOBER 1953-MARCH 1954

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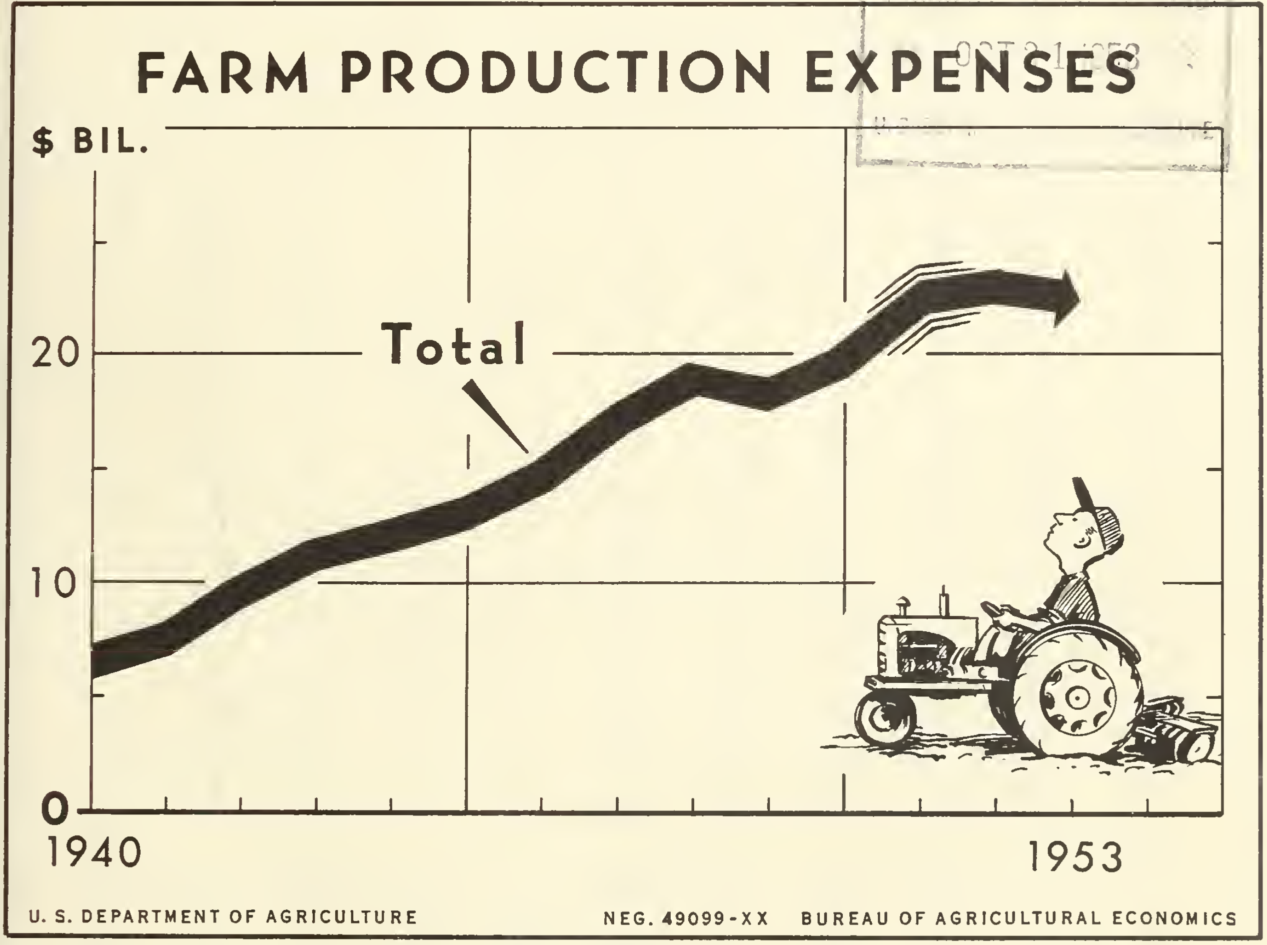

FARM PRODUCTION EXPENSES

U. S. DEPARTMENT OF AGRICULTURE NEG. 49099-XX BUREAU OF AGRICULTURAL ECONOMICS

Farm production expenses advanced rapidly from around 5.8 billion dollars in 1938 to about 18.9 billion in 1948. They declined slightly in 1949 primarily because of a drop in prices paid for feed grains. Largely as a result of the Korean war, production expenses advanced rapidly after 1949, and were a record high-approximately 23 billion -- in 1952; nearly 3½ times those in 1940. They declined about 2 percent from 1952 to 1953, and probably will average slightly lower in 1954.

Goods and services used in production: Prices paid by farmers and farm wage rates, United States

(Index numbers 1935-39 = 100)

Year	Commodities, interest, taxes and wage rates 1/	Commodities only	Feed	Live-stock	Motor supplies	Motor vehicles	Farm machinery	Farm supplies	Building and fencing materials	Ferti-lizer	Seed	Wage rates 2/
1910	75	78	93	74	---	---	65	69	69	96	78	79
1911	77	79	94	69	---	---	65	71	71	96	90	81
1912	81	82	98	77	---	---	65	71	71	98	98	83
1913	81	81	92	90	---	---	65	73	70	99	81	86
1914	83	82	97	93	---	---	65	73	64	100	75	83
1915	84	84	96	92	---	---	67	78	70	106	75	83
1916	93	93	104	100	---	---	71	86	81	121	104	93
1917	121	126	167	128	---	---	80	115	94	133	138	117
1918	140	145	178	146	---	---	101	149	111	169	149	146
1919	153	157	198	148	---	---	105	157	130	178	170	170
1920	162	157	198	130	---	---	108	156	141	177	202	199
1921	118	103	100	71	---	---	105	135	108	149	104	129
1922	119	102	108	87	---	---	93	116	110	125	100	127
1923	128	111	129	90	---	---	97	120	110	131	105	142
1924	129	113	132	94	125	88	101	125	111	124	107	150
1925	131	117	136	100	133	89	101	124	113	136	122	150
1926	129	114	116	106	138	87	101	125	112	135	142	151
1927	129	114	122	119	123	89	101	122	110	118	125	152
1928	133	119	132	146	120	90	101	123	109	128	111	152
1929	132	118	130	143	119	92	100	122	110	127	113	154
1930	124	109	116	106	113	89	99	120	107	124	110	146
1931	106	91	82	74	96	89	98	111	95	112	88	115
1932	92	80	61	61	95	88	93	98	87	98	57	86
1933	87	80	70	56	93	87	90	91	90	91	61	73
1934	94	92	98	56	99	92	94	96	101	103	88	82
1935	98	98	101	94	99	93	97	96	99	102	105	88
1936	98	99	104	90	100	97	98	97	98	97	93	94
1937	106	107	118	102	102	101	100	102	102	101	130	107
1938	100	98	89	101	101	107	103	104	101	100	94	107
1939	98	98	88	113	98	102	102	101	100	100	78	105
1940	100	99	95	115	96	101	100	104	101	96	86	107
1941	106	105	103	130	99	107	101	111	108	96	82	125
1942	121	119	126	152	106	116	107	123	118	107	111	163
1943	138	132	149	173	109	121	111	137	123	114	139	217
1944	148	140	165	163	111	131	114	144	131	116	158	263
1945	156	142	164	178	111	135	115	146	134	118	162	297
1946	168	154	190	202	113	139	119	147	146	119	167	320
1947	192	181	225	252	124	161	135	159	191	131	192	346
1948	211	202	238	312	138	181	157	169	212	143	223	365
1949	204	192	196	277	140	199	176	176	210	147	202	354
1950	210	198	200	324	143	199	180	176	215	141	193	351
1951	232	220	225	395	150	212	194	189	239	149	197	388
1952	237	221	239	331	151	222	201	200	240	153	223	416
Jan.	239	224	242	370	---	219	---	---	---	---	---	412
Feb.	240	227	243	376	---	224	---	---	---	---	219	---
Mar.	240	226	242	372	151	222	201	196	240	---	221	---
Apr.	241	227	242	373	---	---	---	195	---	153	224	421
May	241	227	240	373	---	---	---	---	---	---	227	---
June	237	220	237	325	151	222	202	202	239	---	---	---
July	237	220	235	324	---	222	---	---	---	---	---	418
Aug.	237	221	240	322	---	---	---	---	---	---	---	---
Sept.	236	219	242	300	151	222	203	203	241	154	224	---
Oct.	233	217	237	293	---	---	---	---	---	---	---	412
Nov.	232	215	234	282	---	---	---	---	---	---	---	---
Dec.	230	213	234	262	151	222	203	206	241	---	---	---
1953												
Jan.	234	214	232	275	---	223	---	---	---	---	---	425
Feb.	232	210	228	265	---	---	---	---	---	---	213	---
Mar.	232	210	227	266	151	225	203	204	241	154	210	---
Apr.	229	207	223	248	---	224	---	204	---	154	205	420
May	229	207	220	250	---	---	---	---	---	---	201	---
June	223	200	215	204	152	224	204	201	241	---	---	---
July	225	202	212	220	---	224	---	---	---	---	---	425
Aug.	225	201	211	214	---	---	---	---	---	---	---	---
Sept.	223	199	210	210	---	---	---	---	---	154	197	---

1/ Revised to reflect revisions in interest and tax indexes.
2/ Simple average of quarterly indexes seasonally adjusted.

Note: For a list of items included in this table see "Agricultural Prices," Bureau of Agricultural Economics, September 30, 1952.

THE FARM COST SITUATION

Approved by Outlook and Situation Board, October 14, 1953

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GENERAL SITUATION

Cost rates for farm production items have eased off slightly in 1953 and some further decline is probable in 1954. Prices received by farmers for products sold also may average slightly lower next year. This means that the cost-price squeeze is likely to continue in 1954 about the same as in 1953.

The cost-price squeeze intensified considerably in late 1952 and early 1953 but has changed relatively little in recent months. Prices paid for commodities and services used in production including interest, taxes and wage rates, for the first 9 months of 1953 averaged about 4.5 percent below the same period a year earlier but prices received were down 11 percent. Wage rates paid for hired labor in 1953 and prices paid for fertilizer, gasoline and some other supplies are averaging between 1 and 2 percent higher than in 1952. Interest rates and taxes paid also advanced slightly from 1952 to 1953. Prices paid for most other items remained firm or advanced slightly (fig. 1). The decline from a year ago was due to an 8 percent decrease in prices paid for feed and a 31 percent drop in prices paid for feeder and replacement livestock.

The supply of farm labor and of practically all production goods have been adequate to meet needs in 1953 and no shortages are expected in 1954. Nonfarm job opportunities will continue to lure some workers from farms and the supply of experienced year-round workers is expected to be tight. Production of farm machinery in 1953 is moderately below 1952. However, numbers of tractors, tractor machines and equipment, trucks and automobiles on farms have continued to increase. The total volume of power, machinery, and equipment on farms January 1, 1953 was about 88 percent above the average for 1935-39. Prices of farm machinery in 1954 probably will be near current levels but price concessions may be more general and liberal.

Total supplies of feed grains and other concentrates for the 1953-54 season probably will be a little larger than a year ago because of the large carry-over of corn. It seems probable that less feed grains and other concentrates will be fed to cattle and hogs in 1953-54 than a year ago but more to poultry and milk cows. The net result will be slightly more feed per unit of livestock in 1953-54 than a year earlier.

Lower prices are being paid by farmers this fall than last spring for most legume and grass seeds. Notable exceptions are Kentucky Bluegrass and redtop, prices of which are the highest on record. Prices of these two seeds probably will increase between now and next spring. Total supply of most of the important legumes, grasses and winter cover crops seeds is about a third below last year, but 2 percent above the 1942-51 average.

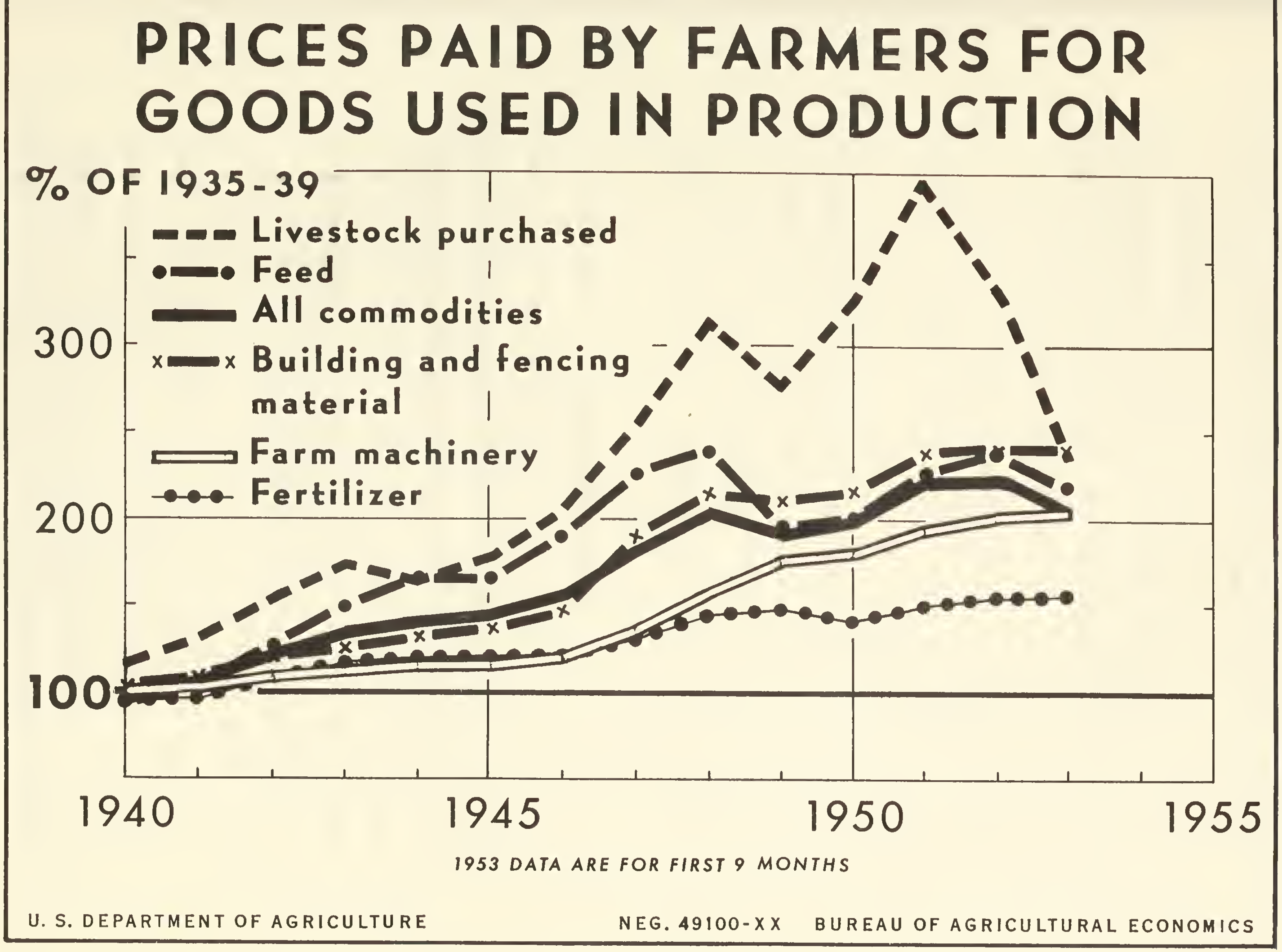
PRICES PAID BY FARMERS FOR GOODS USED IN PRODUCTION
% OF 1935-39
Livestock purchased
Feed
All commodities
Building and fencing material
Farm machinery
Fertilizer
300
200
100
1940
1945
1950
1955
1953 DATA ARE FOR FIRST 9 MONTHS
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FIGURE 1

Prices of fertilizer are currently about 1.5 times their 1935-39 average and are slightly above those in 1952-53. On the whole, little change from present price levels is expected for the coming year. However, prices may be lower for some particular kinds. Preliminary estimates indicate the aggregate supply of the three major plant nutrients for the 1953-54 season probably will exceed the record output of 1952-53 by around 13 percent. The supply of nitrogen (N) probably will be up 11 percent, that of phosphates (P_2O_5) about 12 percent greater, and potash (K_2O) about 15 percent.

Prices of building materials, farm supplies and fencing materials have changed little during the past 2 years and probably will average near current levels in 1954. They are now nearly 2½ times their 1935-39 average. Supplies are expected to be adequate to meet farmers' needs in 1954.

Stocks of pesticides held by manufacturers and dealers at the end of the 1953 season are considerably smaller than the large inventories of a year ago. Much of this reduction is due to smaller stocks of DDT, benzene hexachloride, and similar insecticides. Capacity of the chemical industry to produce pesticides is more than adequate to supply anticipated needs for the immediate future. Prices of most pesticides are lower than a year ago and probably will remain at present levels in 1954.

Land values and net rentals of farm property in 1953 are lower than a year ago, and both are expected to average slightly lower next year. Interest rates and taxes on real estate and other farm assets in 1953 are slightly higher than a year ago and are expected to average slightly higher in 1954. Insurance premiums and assessments paid by farmers probably will be higher in 1954 than in 1953. The increased costs are due to increases in insurance carried rather than to increased rates charged.

As always, the real effects of changes in cost rates and in prices received by farmers for farm products will differ widely by type, size and location of farm. Net returns in 1953 on 6 selected types of farms in widely separated areas are lower than in 1952 on Corn Belt Hog-beef fattening farms, northeast and western Wisconsin dairy farms, southern Piedmont and Texas High Plains cotton farms, but higher on Northern Plains spring wheat farms.

Prices received on all 6 types of farms are generally lower in 1953 than a year ago. Production is about the same as a year ago on the dairy farms, lower for Corn Belt farms and the High Plains cotton farms but slightly higher for the Piedmont cotton farms and about 18 percent higher on the spring wheat farms. Assuming average yields, prospective returns for 1954 are lower than in 1953 on the dairy and Piedmont cotton farms but higher on the other three types of farms. The extent of the change varies widely among types and location of farms. Also, production conditions in 1953 were unfavorable in some areas. (See the last section of this report and Agr. Inf. Bul. No. 116, "Farm Costs and Returns, 1952 with Comparisons, 20 Types of Commercial Family-Operated Farms in 12 Major Farming Regions" for details.)

Farm Labor

The supply of farm labor is expected to be adequate for high level farm production in 1954. But continued effective recruitment campaigns and emphasis on using labor efficiently will still be necessary. Farm wage rates in 1953 are expected to average less than

2 percent higher than the 1952 record high and 9 percent higher than in 1951 (table 1). They are expected to show little change in the next year in view of the outlook for farm income and farm labor supply.

A slackening off in the downward trend in farm employment points to some improvement in the supply of farm labor. For 52 consecutive months (November 1948 to February 1953) reported farm employment was less than in the corresponding month of the previous year. However, in 2 months since February farm employment was above the level of a year earlier. Average annual farm employment in 1953 is about the same as in 1952. The number of hired workers employed this year is averaging slightly greater than last year.

Although there may be a slight increase in the over-all supply of farm labor in the year ahead, the supply of experienced year-round workers is expected to continue tight. Nonfarm job opportunities will continue to lure some of these workers from farms. The induction and enlistment of farm workers in the armed forces will continue to create adjustment problems on some farms. Foreign and offshore domestic workers are expected to be available again for seasonal contract farm work.

Farm output per man-hour in 1953 is expected to be about 3 percent above 1952, and the highest on record (fig. 2). Further advances in farm technology and an increase in productivity of farm labor can be expected in 1954. This adds further assurance that lack of labor will not be a general limiting factor to farm production in the year ahead.

Farm Power and Machinery

Prices of farm machinery and equipment, excluding automobiles and trucks, are about 14 percent higher in 1953 than in the first half of 1950 (just before the Korean war began), and about double the 1935-39 average. Prices in 1954 probably will differ little from current levels but price concessions and trade-in allowances may be more liberal. Prices paid by farmers for gasoline in 1953 are higher than for any previous year and about 40 percent above prewar prices (table 2). On the other hand, there were moderate declines in tire prices and in the estimated cost per head of keeping workstock in 1953.

Production of farm machinery in 1953 will average moderately below the 1952 output but larger than the production of any year before 1948. Lower net farm incomes and uncertainty on the part of farmers concerning future prospects for important crops have contributed to reduced purchases of farm machinery in 1953. With the incomes in prospect for 1954 it is likely that farmers' purchases of new machinery and equipment will be close to the 1953 volume.

Numbers of tractors and tractor machines and equipment on farms have been increasing at a rapid rate. Since 1940 tractor numbers have increased by 185 percent. It is estimated that on January 1, 1953, there were 4.4 million tractors on farms in the United States. Of these about 88 percent were of the wheel type, 4 percent crawlers, and 8 percent garden tractors.

Table 1.- Farm wage rates and related data, United States, 1935-39 average and 1940-53

(Index numbers, 1935-39 = 100)

Period or year	Farm employment			Man-hours of farm work 2/	Farm output 3/		Gross farm income per man-hour 4/	Farm wage rates 5/
	Total 1/	Family 1/	Hired		Total	Per man-hour		
1935-39	100	100	100	100	100	100	100	100
1940	92	91	94	98	110	112	107	107
1941	89	88	93	97	114	118	136	125
1942	88	87	89	101	128	127	177	163
1943	87	88	85	100	125	125	220	217
1944	85	88	78	100	130	130	232	263
1945	84	87	74	95	129	136	257	297
1946	86	89	76	93	133	143	300	320
1947	87	89	79	91	128	141	360	346
1948	87	88	82	89	138	155	374	365
1949	83	85	79	89	137	154	344	354
1950	78	80	73	83	136	164	372	352
1951	75	77	69	86	139	162	414	388
1952	72	74	67	83	144	173	430	416
1953 6/	72	73	68	81	144	178	417	422

1/ Includes farm operators and members of their families working without wages.

2/ Total man-hours of farm work in terms of the time required by average adult male workers.

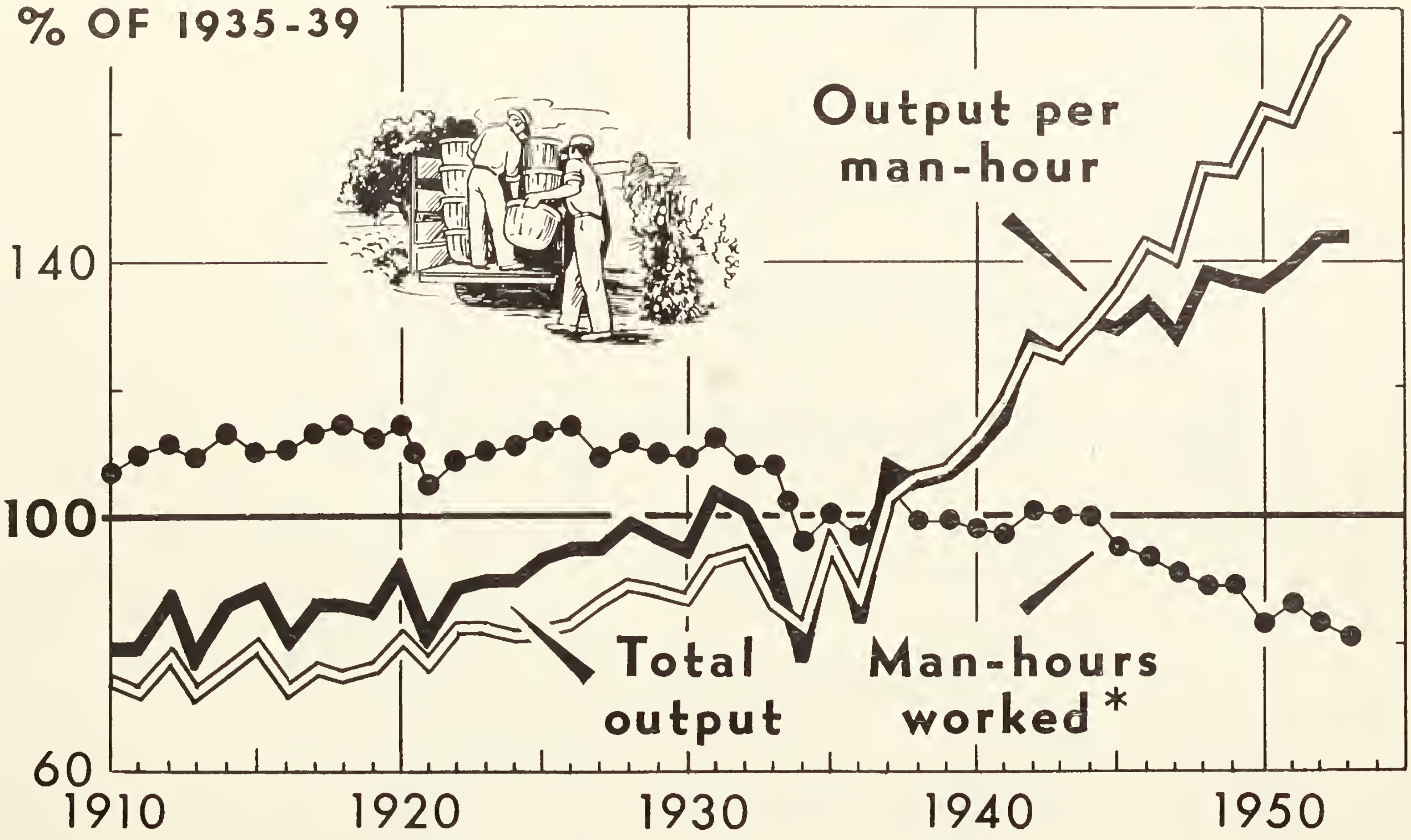
3/ Net calendar-year production for eventual human use.

4/ Because of the increase in volume of output and the increase in the price of farm products, gross farm income per man-hour has increased at about the same rate as have farm wage rates from the prewar years of 1935-39 to 1953.

5/ Simple average of quarterly indexes seasonally adjusted.

6/ Preliminary. Estimates of farm output and man-hours for 1953 based chiefly on August 1953 report of the Crop Reporting Board.

FARM OUTPUT and LABOR INPUT



* IN TERMS OF TIME USED BY ADULT MALES

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Although numbers of farm machines have continued to increase, farmers' purchases of new machines and equipment have declined since the record levels of 1951. Numbers of important farm machines such as tractors, combines, corn pickers, and milking machines will continue to increase in the years ahead, but an increased proportion of the machines bought by farmers will be for replacement and the rate of increase in numbers of machines on farms will be less.

The total volume of power, machinery, and equipment on farms January 1, 1953 was about 88 percent above the average of 1935-39. Purchases of tractors and farm machinery in 1953 were sufficiently large to increase further the total volume of machinery and power on farms in 1954.

Machinery operating expenses and depreciation have increased considerably in recent years. On 160-acre hog-dairy farms in northeastern Iowa the total of these two items increased from about $500 a year in the 1930's to nearly $2,000 in 1953 (fig. 3).

Numbers of motortrucks on farms continue to increase. Approximately 2.5 million motortrucks were on farms January 1, 1953. This is about 140 percent above the 1940 number. Numbers of automobiles on farms have increased by less than 10 percent since 1940.

During the 13 years (January 1, 1940 to January 1, 1953) numbers of horses and mules on farms in the United States declined by about 8.8 million head. In recent years the reduction in horse and mule numbers has averaged about 10 percent per year. Prices of work animals are at low levels and substantially below prewar prices.

Feed

Prices of feeds in September generally were about 8 percent below those of 6 months ago, and nearly 13 percent lower than a year ago. Corn, oats, dairy feed, laying mash, and linseed meal were 10 to 15 percent lower than a year ago. Other feed grains and other high protein feeds were reduced still more (table 3). Hay was also 10 to 15 percent lower in price. Over the next 6 months feed costs in the country as a whole may average 5 to 10 percent lower than a year earlier.

Total supplies of feed grains and other concentrates for the 1953-54 season probably will be a little larger than a year ago because of the large carry-over of corn. The corn and oats crops in 1953 are a little smaller than in 1952. The number of animals to be fed is a little smaller and the supply of feed concentrates per animal unit about 4 percent larger than a year ago (table 4). The carry-over of feed grains probably will be a little larger a year hence than the 28 million tons this fall. Supplies of high protein and other byproduct feeds are not much different than a year ago.

It seems probable that less feed grains and concentrates will be fed to cattle and hogs in 1953-54 than a year ago, but more will be fed

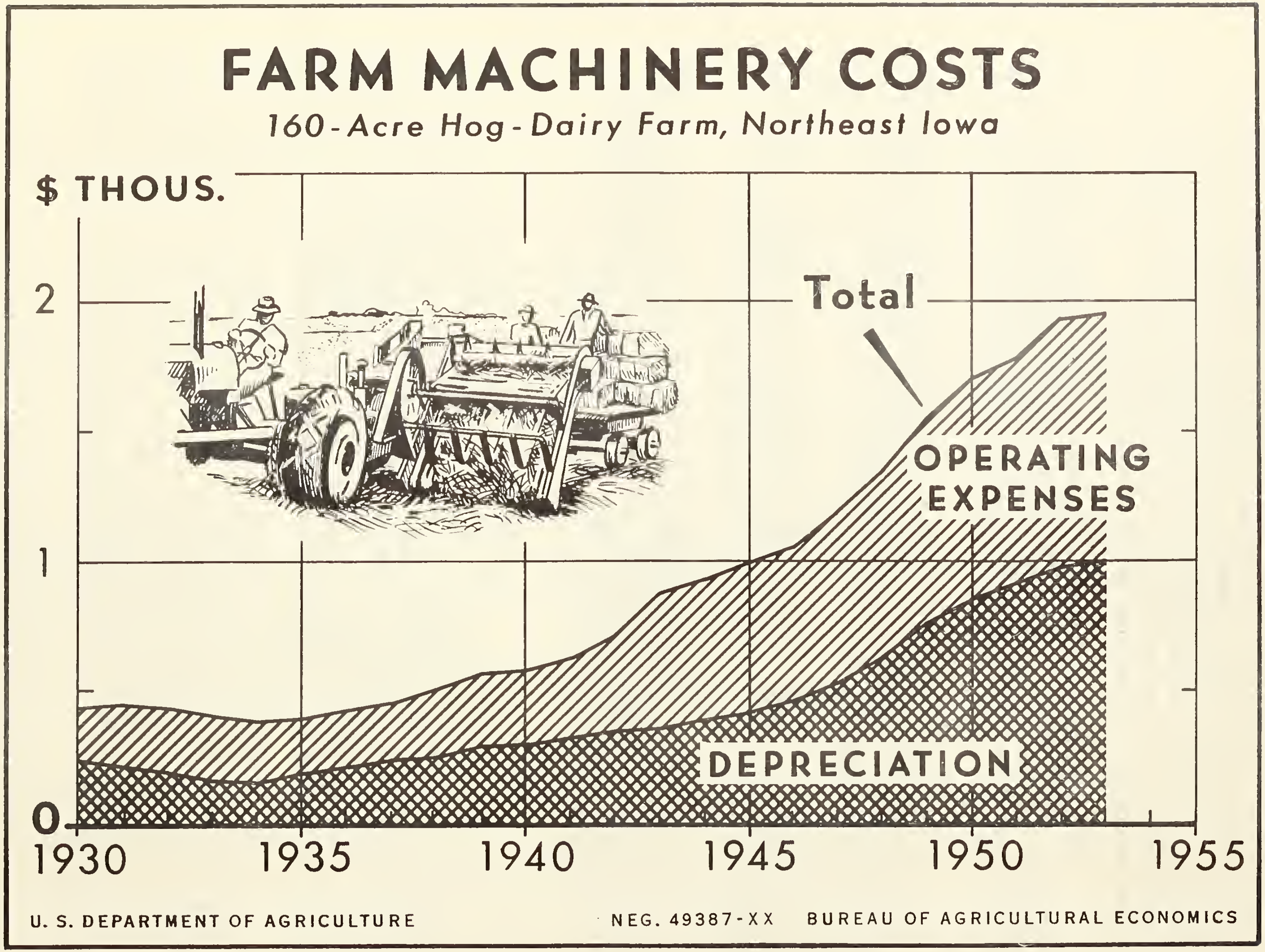
FARM MACHINERY COSTS
160-Acre Hog-Dairy Farm, Northeast Iowa
$ THOUS.
2
1
0
Total
OPERATING EXPENSES
DEPRECIATION
1930
1935
1940
1945
1950
1955
U. S. DEPARTMENT OF AGRICULTURE
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FIGURE 3

Table 2.- Horses and mules and tractors on farms and cost of keeping horses and mules and of using farm tractors, United States, 1935-39 average and 1940-53 1/

(Index numbers 1935-39 = 100)

Calendar year or period	Tractors on farms, January 1	Horses and mules on farms, all ages January 1	Colts under 1 year on farms, January 1	Horses and mules all ages, value per head January 1	Feed cost per head 2/	Prices paid by farmers for: New tractors 3/	Gasoline	Tires 6.00 x 16
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1935-39	100	100	100	100	100	100	100	100
1940	124	92	101	90	93	96	95	92
1941	135	90	98	81	101	101	99	95
1942	152	87	85	78	126	102	103	117
1943	169	84	69	95	164	99	103	130
1944	178	80	62	98	188	111	103	136
1945	195	76	54	86	186	113	103	131
1946	206	71	42	80	207	126	106	133
1947	220	64	35	84	249	142	118	127
1948	240	59	31	79	261	158	131	128
1949	266	54	28	72	204	174	134	124
1950	290	49	23	63	212	175	135	139
1951	317	45	19	56	240	188	136	165
1952	335	40	16	55	251	188	138	159
1953	4/ 354	36	15	54	5/ 229	6/ 188	6/ 140	6/ 155

1/ The 1935-39 averages were: Horses and mules all ages, 15,750,000 head; value per head, $97.65; feed cost per head, $44.40; colts under one year of age 744,000 head; tractors, 1,244,000; prices paid by farmers for new tractors, $1,060; gasoline $0.19; and tires, $12.60.

2/ Based on 25 bushels each of oats and corn and 2 tons of baled hay.

3/ Tractor prices are for medium size (20-29 BHP) wheel tractor equipped with rubber tires.

4/ Preliminary estimates.

5/ Average of the first 8 months.

6/ Average prices paid in March and June.

Table 3.- Average prices of feeds in the United States, September 15, 1953 with comparisons

Item	Unit	Sept. 15, 1951	Sept. 15, 1952	Mar. 15, 1953	Sept. 15, 1953
Prices received by farmers					
Corn	Bushel	$ 1.65	$ 1.71	$ 1.46	$ 1.50
Oats	do.	.78	.84	.78	.71
Barley	do.	1.17	1.43	1.32	1.12
Sorghum grain	Cwt.	2.12	3.02	2.66	2.26
Hay, baled	Ton	21.30	25.00	24.40	20.90
Feed grains and hay, Index number (1935-39 = 100)		227	246	219	211
Prices paid by farmers					
Mixed dairy feed 16%	Cwt.	4.07	4.37	4.18	3.90
Laying mash	do.	4.94	5.35	5.00	4.80
Broiler mash	do.	--	--	5.34	5.22
Cottonseed meal	do.	4.40	5.33	4.95	3.72
Soybean meal	do.	4.77	6.08	4.91	4.60
Linseed meal	do.	4.42	5.43	5.27	4.60
Meat scrap	do.	6.29	6.73	5.48	5.37
Bran	do.	3.58	3.77	3.62	3.11
Middlings	do.	3.76	3.96	3.66	3.26
Alfalfa hay, baled	Ton	33.20	37.60	38.50	33.60
Prices paid by farmers for feed, Index number (1935-39 = 100)		223	242	227	210
Average value of concentrate ration fed to poultry and milk cows 1/					
Fed to poultry	Cwt.	3.99	4.28	3.97	3.82
Fed to milk cows in milk selling areas	Cwt.	3.62	3.88	3.68	3.40
Fed to milk cows in cream selling areas	Cwt.	3.26	3.40	3.25	2.99

1/ Value of the corn, oats, oil meal, millfeed, commercial mixed feed, etc., making up 100 pounds of "grain" ration.

Table 4.- Feed concentrate supply and utilization and livestock fed, United States, 1937 to 1953 1/

Year beginning October	Supply				Utilization		Stocks of feed grains end of year 2/	Animal units grain-consuming livestock fed annually	Production feed grains per animal unit	Supply concentrates per animal unit	Concentrates fed per animal unit
	Stocks feed grains beginning of year	Production feed grains	Wheat, rye and by-products feeds fed	Total	Seed, feed, industry and exports of feed grains	Concentrates fed to livestock					
	Million tons	Million tons	Million tons	Million tons	Million tons	Million tons	Million tons	Million units	Tons	Tons	Tons
Av. 1937-41	16.9	99.3	19.9	136.1	12.1	104.9	19.9	153.1	.65	.89	.69
Av. 1942-46	14.7	117.3	29.4	161.4	14.8	133.0	13.5	177.5	.66	.91	.75
1947	13.8	94.1	24.7	132.6	13.6	110.4	7.8	154.0	.61	.86	.72
1948	7.8	135.4	23.5	166.7	17.6	120.1	30.4	160.1	.85	1.04	.75
1949	30.4	120.6	25.2	176.2	17.2	127.3	30.6	166.1	.73	1.06	.77
1950	30.6	122.0	25.9	178.5	20.4	129.8	28.7	172.3	.71	1.04	.75
1951	28.7	112.9	26.9	168.5	17.2	131.5	20.2	174.1	.65	.97	.76
1952	20.2	120.7	27.9	168.8	16.8	124.0	28.0	169.6	.71	1.00	.73
1953 3/	28.0	118.4	26.8	173.2	17.0	125.2	31.0	167.0	.71	1.04	.75

1/ From Feed Statistics, page 2, January 1953, BAE, and Feed Situation, September 1952, Table 2.

2/ Stocks do not necessarily exactly equal supply less feed and other utilization because of a difference in the crop year for different feed grains.

3/ Preliminary.

to poultry and milk cows. There probably will be about 3 percent more feed grains and other concentrates per unit of grain consuming livestock for the year ahead than for 1952-53.

The hay supply for 1953-54 is about the same as a year earlier with about the same number of hay consuming livestock. Hay production in 1953 was about 10 percent or more below average in Missouri, Mississippi, and Arkansas. It was above average in about half the States. Poor pasture feed conditions in some areas in late summer and fall will increase the cost of carrying livestock through this winter.

In September, returns per $1.00 of feed fed to hogs were 19 percent above the 1937-51 average and far above those for other livestock enterprises (table 5). Returns from eggs and broilers were close to average. Returns from beef cattle, sheep, and butterfat dairying were lower than a year ago and the lowest among the different enterprises shown for September. Returns from cattle feeding in 1952-53 were probably the lowest in over 30 years as net returns in the typical feeding operation were far short of enough to pay for the feed at market prices. However, returns from cattle feeding fluctuate more from year to year than from any other livestock enterprise and in some years are 50 percent above average.

Seeds

Lower prices are being paid by farmers this fall than last spring for most of the legume and grass seeds. Notable exceptions, however, are Kentucky Bluegrass and redtop, prices of which are currently the highest on record. Greatest declines from last spring's prices are shown for crested wheatgrass, seed rye, and Ladino clover.

Compared with last fall, current retail prices are higher for Kentucky Bluegrass, redtop, common ryegrass, and Wild Winter peas, but lower for all the other 24 seeds in the fall to fall comparisons. Sharpest declines from a year ago are shown for tall fescue, all alfalfas, Ladino clover, reseeding varieties of crimson clover, and alsike clover.

The total supply (production plus carry-over) of 23 legume, grass and winter cover crop seeds for which production forecasts have been made is 29 percent below that of last year, but 5 percent above the 1942-51 average. Current supplies of clover-seeds, excluding crimson clover which is classed as a winter cover crop seed, are 6 percent smaller this year than last but are 31 percent above the 10-year average. Supplies of grass seeds, except ryegrasses, included in the winter cover crop group are 14 percent smaller than in 1952 and 8 percent below average. The winter cover crop seed supply is 41 percent smaller this year than last but only 1 percent below the 1942-51 average.

Kinds of seeds in shortest supply, ranging from a fifth to a half of average, are redtop, crested wheatgrass, Kentucky Bluegrass, and timothy. On the other hand, supplies of tall fescue, Ladino clover, hairy vetch, crimson clover, and orchardgrass are much above average.

Table 5.- Returns per $1.00 of feed cost of livestock enterprises, United States, Sept. 15, 1953, with comparisons 1/

Livestock enterprise or product	1937-51 average Sept.	Sept. 15, 1951	Sept. 15, 1952	March 15, 1953	Sept. 15, 1953
	Dollars	Dollars	Dollars	Dollars	Dollars
Eggs	1.91	1.97	1.62	1.61	1.93
Broilers	2/ 1.64	-	-	1.62	1.61
Milk	2.17	2.08	2.00	1.81	2.03
Butterfat	1.71	1.56	1.52	1.37	1.45
Hogs	1.65	1.49	1.50	1.69	1.96
Sheep	1.70	2.05	1.44	1.33	1.39
Beef	1.83	2.58	1.92	1.52	1.47
Cattle		1951-52		1952-53	
feeding	3/ 1.25	1.33		.72	
	(Index numbers 1937-51 = 100)				
	Percent	Percent	Percent	Percent 4/	Percent
Eggs	100	103	85	107	101
Broilers	100	-	-	99	98
Milk	100	96	92	94	94
Butterfat	100	91	89	90	85
Hogs	100	90	91	101	119
Sheep	100	121	85	83	82
Beef	100	141	105	86	80
Cattle		1951-52		1952-53	
feeding	100	106		58	

1/ The following quantities of feed were used in calculating feed cost: 7 pounds of poultry ration per dozen eggs; 4½ pounds of chick starter per pound of broiler in 1935-39. In 1951 and 1952, 3½ pounds of chick starter and in 1953, 3¼ pounds of broiler mash. No prices available on broiler mash before 1953. 7½ bushels of corn plus 20 pounds of soybean meal per 100 pounds of hogs; 30 pounds of concentrate ration fed to milk cows in milk selling areas plus the value of 110 pounds of hay, per 100 pounds of milk; 7½ pounds of concentrate ration fed to milk cows in cream selling areas plus the value of 27.5 pounds of hay in Minnesota and Iowa, per pound of butterfat; 3 bushels of corn plus 600 pounds of hay per 100 pounds of beef cattle; 2 bushels of corn plus 1,500 pounds of hay per 100 pounds of sheep and lambs. It was assumed that for each 100 pounds of sheep and lamb produced 20 pounds of wool were produced from the same feed. The quantity of hay for milk cows, beef cattle and sheep includes an allowance for silage and pasture. It was assumed that the feed nutrients from pasture would cost 1/4 as much per pound as they would if obtained from hay. Cattle feeding returns are based on table 3, Livestock and Meat Situation, Aug.-Sept., 1953. It is designed to represent average feeding experience in the Corn Belt.

2/ Average for March. 3/ 1920-52 average. 4/ The index numbers for March are calculated from averages for March.

Between now and next spring sharp changes are not expected in prices farmers have to pay for most seeds. Some exceptions to this general statement will be noted. Retail prices of Kentucky Bluegrass and redtop are already at record high levels, and probably will advance because of the short supplies. Although the supply of timothy seed in the United States is currently only about half the average, prices are likely to be held down because of the large surplus in Canada. Current supplies of tall fescue and Ladino clover are so large that retail prices are more likely to decline than advance during the next 5 or 6 months. Price of common ryegrass, now above that of a year ago, may be expected to advance further because more of this seed will be used in lawnseed mixtures than ever before.

It is difficult to appraise the prospective changes in retail prices for alfalfa, red clover, Sudangrass, and lespedeza seed until 1953 production and farm carry-over figures are available. This much, however, may be noted. Dealer and Government carry-overs of alfalfa and red clover are much above average, while dealer carry-over of lespedeza seed is somewhat above average, and that for Sudangrass seed much below average.

Based on supply and price data currently available, it would seem prudent for the farmer to cover his requirements for seeds in short supply, such as Kentucky Bluegrass and redtop, as soon as possible but to postpone purchases of seeds in large supply, such as Ladino clover and tall fescue. In the cases of seeds for which supplies appear adequate it is well to keep in mind that while little may be gained pricewise by buying early, one is more likely to get seed of better quality by buying early.

Fertilizer

Prices of fertilizers during the 1952-53 season averaged about 2 percent higher than in 1951-52. On the whole little change from present price levels is expected during the coming year. However, prices may be lower for some specified kinds.

The available supply of major plant nutrients in fertilizer reached a new high during the year ended June 30, 1953. In the main, the larger supply went into consumption channels. The carry-over of certain types of material was somewhat higher than a year earlier but is not of burdensome proportions.

The aggregate supply of the three major plant nutrients for the 1953-54 season probably will exceed the record output of 1952-53 by around 13 percent. This preliminary estimate is based on current information as to completion of new production facilities, and assumes import-export relationships at above current levels.

Nitrogen (N): The supply of nitrogen available for fertilizer purposes in 1953-54 is currently estimated at slightly over two million tons. This is approximately 11 percent above the reported 1952-53 supply of 1.8 million tons.

The supply of solid nitrogen materials (dry nitrogen) available for 1953-54 represents approximately 60 percent of the total supply. Solutions and liquid materials (wet nitrogen including anhydrous ammonia) make up 40 percent. For the previous year these percentages, based on trade deliveries, were approximately 62 and 38.

Phosphate (P_2O_5): The available supply of phosphatic material, P_2O_5 basis, for the 1953-54 season may exceed the 2,410,000 tons available in 1952-53 by as much as 12 percent. This assumes that sulfuric acid will continue in plentiful supply and that plants expected to be in production for the 1953-54 season will be completed as scheduled.

The new plant capacity scheduled for completion in 1953 involves a sizeable tonnage of concentrated superphosphate, which should increase the supply of this material in relation to the total quantity of P_2O_5 available in 1953-54.

Potash (K_2O): The 1953-54 supply of potash available for fertilizer purposes will reflect production from new facilities as well as increases from older operating units. Taking into consideration the possible increase in domestic production, and assuming approximately the same import-export balance as in 1952-53, it is estimated that the 1953-54 supply will exceed the 1,735 thousand tons available in 1952-53 by as much as 15 percent,

Profitable use of fertilizer: Unlike fixed expenditures such as taxes, interest and necessary repairs and replacements, expenditures by individual farmers for fertilizer and some other production goods can be varied considerably from year to year. When the price-cost ratio declines farmers have to make careful decisions as to expenditures for fertilizer and other variable cost items used in production. Usually these decisions have to be made when the outcome is uncertain. Where farmers know how much response can be expected from different rates of application of fertilizer under reasonably good weather conditions, estimates of the probable return per acre under specified price conditions can be made. The cost of fertilizer is known at the time of application. Therefore, the two major uncertainties in the use of fertilizers are weather and prices for the crop.

When prices decline farmers are likely to reduce fertilizer application more than would be profitable. As a result, the smaller fertilizer application reduces yields and consequently crop values per acre more than the saving in the cost of the fertilizer. Farmers generally have not been applying as much fertilizer as would be most profitable under most conditions of weather and prices. In those relatively few cases where farmers have been applying fertilizer at the most profitable rate (mostly among tobacco, potato, and vegetable producers) a decline in prices would indicate that some reduction in the rate of application of fertilizer would be desirable. However, even in these cases, unless the price declines are large, experimental evidence indicates that it is not profitable to make sharp reductions in fertilizer application. (An illustration of the effects of different prices for corn on the most profitable rate of fertilizer application in the Corn Belt on soils of somewhat below average fertility is shown in table 6).

Table 6.- Illustration of effect on returns per acre of applying different amounts of plant nutrients to corn, with corn prices at two levels and cost of fertilizer at 1953 levels 1/

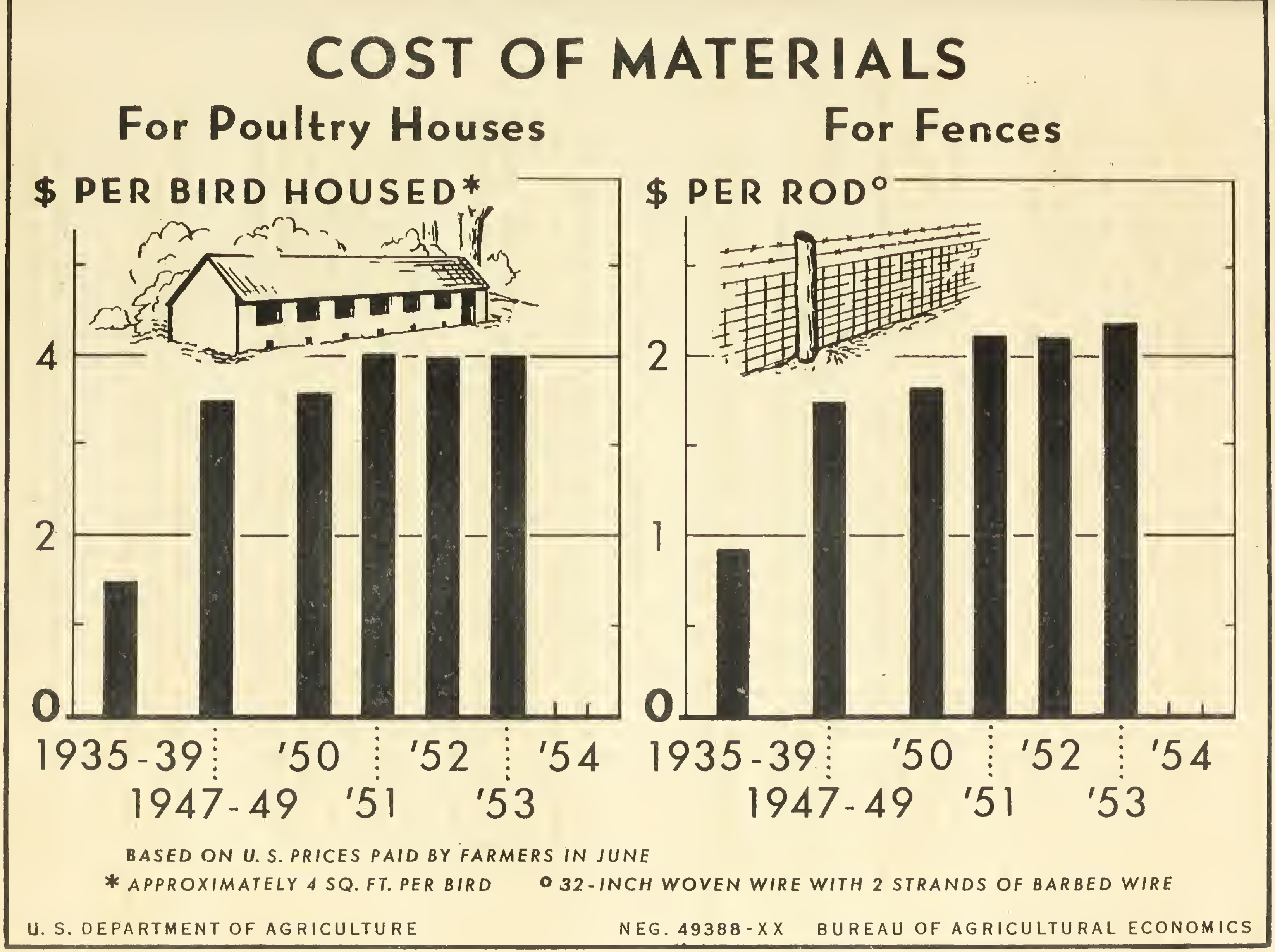
Rate of application	Application of plant nutrients per acre			Return per acre above cost of fertilizer	
	N	P_2O_5	K_2O	Corn at $1.25 per bu. 2/	Corn at 90¢ per bu. 2/
	Pounds	Pounds	Pounds	Dollars	Dollars
Estimated current 3/	20	30	30	69	47
Most profitable rate with corn at $0.90 per bu.	105	100	60	94	64
Most profitable rate with corn at $1.25 per bu.	130	120	75	102	63
Most profitable rate with corn at $1.75 per bu.	150	140	90	101	61

1/ On soils of somewhat below average fertility in the Corn Belt.
2/ Illustrative prices. These are net farm prices after deducting all harvesting and marketing costs.
3/ Estimated current application rate on corn in one selected cash-grain area.

Building Materials and Farm Supplies

Prices of farm building materials have changed very little during the past 2 years. They increased about 12 percent at the outset of the Korean War but since March 1951 they have not changed appreciably. They are now about two and two-thirds times as high as in 1940.

Changes in the cost of building materials commonly used in the construction of poultry houses are shown in figure 4. In 1940 the materials required to build a 16'x48' wooden structure with a concrete floor and composition roof and large enough to accommodate about 200 layers would have cost about $300 or $1.50 per bird housed. The present cost of the same materials is about $800 or $4.00 per bird housed. However, the price received for eggs also has increased over the years. It required about as many eggs in 1953 as in 1940 to pay for materials in this poultry house. Prices received for eggs in 1952



BASED ON U. S. PRICES PAID BY FARMERS IN JUNE

* APPROXIMATELY 4 SQ. FT. PER BIRD

° 32-INCH WOVEN WIRE WITH 2 STRANDS OF BARBED WIRE

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FIGURE 4

were relatively lower, however, and it required about 13 percent more eggs in 1952 than in 1953 to pay for these materials.

The cost of fencing materials has not gone up quite as much as the cost of farm building materials. In 1940, $300 would buy enough materials to build a mile of fence; now it takes $700 worth of materials. The fence consists of 32-inch woven wire and two strands of 4-point barbed wire strung on alternate wood and steel posts set one rod apart. It also has two galvanized 14-foot gates. The cost of these materials increased from $2.10 per rod in June 1952 to $2.18 per rod in June 1953 (fig. 4). All of this increase of nearly 4 percent took place between June and September 1952.

Prices paid by farmers for miscellaneous farm supplies were about 1 percent lower in June than a year earlier but still about 20 percent higher than in 1947-49. Wooden and metal containers are higher now than a year ago but burlap bags and binder twine are somewhat cheaper.

Prices of building materials, supplies and containers probably will not be any higher in 1954 than they are now, and there is some possibility of slightly lower prices and more price concessions.

Supplies of these items were adequate to meet needs in 1953, and there are no indications at present that there will be shortages in 1954.

Pesticides

Stocks of pesticides (insecticides, fungicides and weed killers) held by manufacturers and dealers at the end of the 1953 season are considerably smaller than the large inventories of a year ago. However, present inventories are about what the trade considers normal. Much of the reduction is due to smaller stocks of DDT, benzene hexachloride, and similar insecticides.

Large quantities of insecticides were used on cotton in 1953 to control a variety of insects. The amount consumed may have been as large or larger than in the record season of 1951. Considerable quantities of insecticides were used also for control of army worms; much of it in the Midwest. Consumption of fungicides, particularly copper sulfate, was lower in 1953 than in other recent years. Some increase over 1952 in the use of the weed killers 2,4-D and 2,4,5-T has been reported.

The quantity of pesticides manufactured in 1953 was lower than a year earlier. Production of DDT and benzene hexachloride was markedly lower, and that of toxaphene, aldrin and copper sulfate slightly lower than in 1952.

Capacity of the chemical industry to produce pesticides is more than adequate to supply anticipated needs for the immediate future. Some factories were expanded to take care of anticipated foreign demand for pesticidal materials. However, exports have not developed as rapidly as expected.

Manufacturers' prices of many pesticides have continued the decline begun more than a year ago. In mid-September 1953, prices of benzene hexachloride and DDT were about 50 percent and 30 percent, respectively below prices of a year earlier and about 25 percent and 6 percent below those of 6 months earlier. Prices of aldrin also were considerably below those of 6 months and a year ago. Prices of sulfur and nicotine sulfate, however, were about 10 to 12 percent higher than last spring or a year ago. Prices of most other pesticides in mid-September were somewhat lower than a year ago but unchanged from those last spring. These changes in manufacturers' prices have been reflected generally in prices paid by farmers for pesticides.

Farm Land Values and Rentals

Farm real estate values have shown a gradual downward trend since November 1952, as prices received for livestock and other major agricultural products have declined. The declines in most States have not been large. In July land values for the country as a whole averaged 2 percent below last March and 4 percent below a year earlier. Largest declines during the year occurred in the Southwest, where dry weather prevailed, and in the Mountain States where farm income was affected the most by the sharp drop in cattle prices during the fall and winter of 1952-53. Despite these declines in land values, the national index for July was 24 percent above the 1947-49 average (table 7).

Table 7.- Farm Real Estate: Index numbers of average value per acre and percentage change 1/

Geographic division	Index numbers (1947-49=100)				Change during year ending		Change during 4 months ending	
	1951	1952	1953		July 1952	July 1953	July 1952	July 1953
			March	July	Percent	Percent	Percent	Percent
New England	103	106	108	108	3	0	2	0
Middle Atlantic	113	125	125	124	6	-2	1	-1
E. North Central	121	132	133	131	7	-2	2	-2
W. North Central	123	135	133	130	5	-4	0	-2
South Atlantic	112	125	129	128	8	1	2	-1
E. South Central	116	127	128	126	6	-2	2	-2
W. South Central	121	137	128	126	9	-9	1	-2
Mountain	109	115	112	110	1	-7	3	-1
Pacific	95	99	97	96	0	-3	0	-1
United States	117	128	126	124	6	-4	1	-2

1/ Revised series. All farm land with improvements as of March 1 except as indicated.

With cash receipts from farm marketings during the first 8 months of 1953 about 4 percent below the same period a year earlier, farm real estate values are likely to continue the moderate rate of decline of recent months. No serious break in the farm real estate market is expected. As in the past, values in some regions will reflect current and prospective cost-price relationships to a greater extent than in others.

Gross rents paid for leased lands in 1953 probably will be a little less than in 1952. Cash rental rates for farms and for hay and pasture on share-rented farms are up slightly from the previous year. However, share rental rates for both crop and livestock will be down because of lower prices. Total gross rents for 1953 are tentatively estimated at $3,359 million, about 3 percent less than in 1952.

Total expenses paid by landlords in 1953 probably will be about the same or a little higher than in 1952. Landlord's expenses for real estate taxes and building depreciation are expected to average higher in 1953 but their expenses for feed and seed will be lower. Net rents in 1953 may be down 4 to 5 percent from 1952. As the value of farm real estate has declined about the same amount, the rate of return on investment when valued at current prices will be about the same as in 1952. For more detail on land values and rentals see "The Farm Real Estate Market" July, 1953.

Interest, Taxes, and Insurance

Interest payments - Total farm-mortgage debt on January 1, 1954 is expected to be about 9 percent higher than the 7.1 billion outstanding a year earlier. The average rate of interest on January 1, 1953 was 4.7 percent as compared with 4.6 percent on the same date in 1952. Total interest charges paid on farm-mortgage debt in 1953 probably will be about 9 percent higher than in 1952.

Interest charges on farm-mortgage debt in 1954 probably will be 8 percent higher than in 1953. Further increases in farm-mortgage debt are expected although possibly at a somewhat slower rate than in 1953. Increases in interest rates on new farm-mortgage loans are reported this year but interest rates in 1954 probably will remain near 1953 levels.

The 1953 interest charges on non-real-estate debt of farmers, excluding loans made or guaranteed by the Commodity Credit Corporation, are expected to be about 5 percent lower in 1953 than in 1952 because of a reduction in this type of debt. Interest charges have decreased the most in the Midwest and Mountain regions where less debt has been incurred for financing livestock. In many sections of the Northeast and South, however, the use of non-real-estate credit increased moderately in 1953 because of higher cash outlays and a further rise in production costs. This will result in higher interest charges for these areas. Interest rates in some localities have risen slightly but their effect on charges has been relatively small.

Some further drop in interest charges on non-real-estate debt can be expected for 1954 for the United States as a whole. The amount of new credit used by farmers probably will decline although the effect of this on total credit outstanding may be offset in part by a slowing up in repayments. Interest rates may increase slightly in a few areas during the next year.

Farm taxes - Farmers in nearly all States continue to pay higher taxes on their property. Taxes levied on farm real estate in 1952 (payable largely in 1953) were 5 percent higher than those of the previous year, and taxes levied on personal property were 9 percent higher. The prospect for 1953 levies (payable largely in 1954) is for an increase of about 3 percent in the farmers' real estate taxes and a decline in the personal property taxes. The net result probably will be that farmers will pay about 2 percent more property taxes in 1954 than in 1953.

Federal income tax payments of farmers on 1953 income are expected to be down somewhat from the preceding year. The decrease reflects lower farm incomes, as Federal income tax rates have remained unchanged. A somewhat greater decline is expected for payments on 1954 incomes partly because of a possible decline in taxable income and because a reduction in Federal income tax rates is scheduled for 1954. The lower farm income in 1953 also will reduce farmers' income tax payments to State governments.

Insurance - Premiums and assessments paid by farmers to farm mutual insurance companies probably will be higher in 1954 than in 1953. The increased insurance costs of farmers are due to increases in insurance carried, rather than to increases in rates charged. The assessment rates paid by farmers to farm mutual fire insurance companies averaged about 26.1 cents per $100 of insurance in 1952, compared with 26.7 cents in 1951.

Part of the assessment income of a farm mutual is usually put into its safety fund (reserve) in the years of below-average losses, for use in the years of heavy losses.

In recent years, the safety funds of farmer mutual fire insurance companies have increased at a faster rate than has their insurance. This means that farmers' assessment rates are being increasingly stabilized, thus reducing the chances that extra or larger assessments will be necessary in order to pay unusually heavy losses in any year. The safety funds of farmers' mutual fire insurance companies amounted to 52.5 cents per $100 of insurance in force at the end of 1952, compared with 51.6 cents at the end of 1951. For more detail on interest, taxes and insurance see"Agricultural Finance Review", Outlook Supplement October 1953.

Costs and Returns on Selected Types of Farms

Changes in quantities and prices of items used in production and output per farm have different effects on costs of production and on net incomes of different types of farms (fig. 5). The following information illustrates changes in costs and returns on 6 important types of farms in widely separated areas. These are commercial family-operated farms of specified types, and therefore are not necessarily representative of all farms in the areas in which these farms are located. The estimates of incomes and expenditures for 1953 and 1954 for these 6 types of farms are based on the projected changes in prices and costs as indicated in the earlier sections of this report. The information presented illustrates the net effects of these changes on these 6 types of farms.

Dairy Farms - Northeast

Net farm incomes on dairy farms in the Northeast will be about 25 percent lower in 1953 than in 1952, and the lowest since 1944. Slightly lower returns are expected in 1954.

These dairy farms are highly specialized and, consequently, net farm incomes are closely correlated with returns from the dairy enterprise. The price received for milk is the most important factor affecting the net returns from the dairy enterprise. Because much of the feed is bought on these farms the next most important factor is the prices paid for feed. In 1953, milk prices were about 10 percent lower than in 1952, and dairy feed prices were about 11 percent lower. A 1-percent decrease in the price of milk has about the same effect on net returns from the dairy enterprise on these farms as a 3-percent decrease in the price of feed. Therefore, if these farmers were to obtain the same dairy income in 1953 as in 1952 with milk prices 10 percent lower, prices paid for feed would have to be more than 30 percent lower, with no change in other costs.

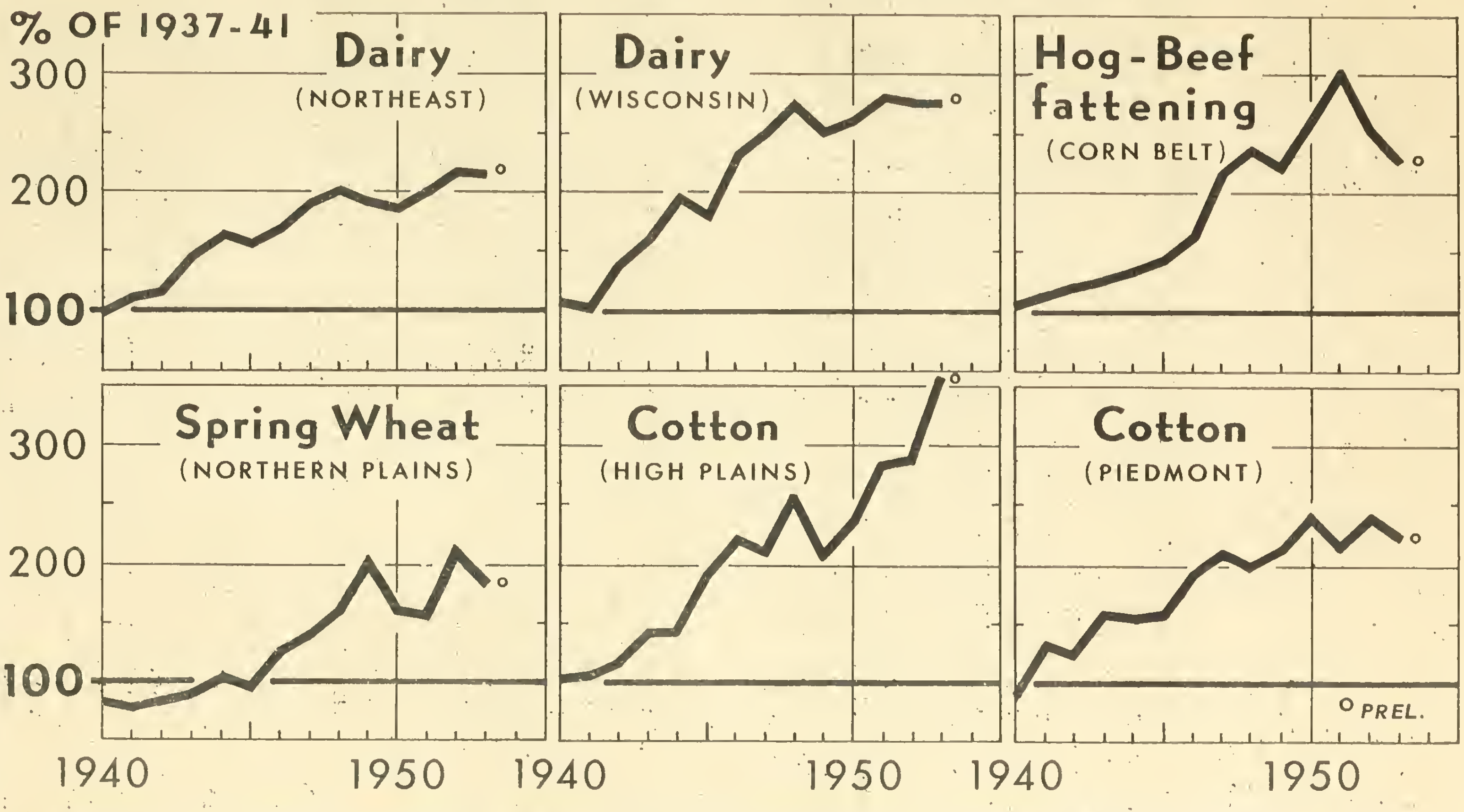
In addition to lower prices for milk, prices received for discarded dairy cows in 1953 were about 33 percent lower than in 1952.

Dairy Farms - Western Wisconsin

Net farm incomes on dairy farms in western Wisconsin that sell whole milk will be about 15 percent lower in 1953 than in 1952. Somewhat higher returns from hogs and poultry are not sufficient to offset the lower returns from the dairy enterprise. The price of milk in this area is down about 10 percent from 1952 and the price of discarded dairy cows is down about 28 percent. Crop yields are only slightly lower than the high level of 1952. The outlook for 1954 is for slightly lower net returns on these farms if crop yields are about normal and if milk prices are somewhat lower.

Six Major Types of Farms

FARM OPERATING EXPENSES PER UNIT OF PRODUCTION*



* INCLUDES ALL PRODUCTION COSTS EXCEPT INTEREST ON INVESTMENT AND A CHARGE FOR OPERATOR AND FAMILY LABOR

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Operating expenses per unit of production for these farms in 1952 were more than double the 1937-41 average. However, prices received by farmers for farm products increased still more. Increases in production per farm have helped hold down operating expenses per unit of production. The sharp increase in unit expenses on the High Plains cotton farms in 1953 was due to the low yields and high abandonment caused by the drouth in the Southwest.

FIGURE 5

Hog-Beef Fattening Farms - Corn Belt

Net farm incomes on hog-beef fattening farms will be about 14 percent lower in 1953 than in 1952 and the lowest since 1945. Operators of these particular farms raise all of the corn they feed and feed about as much of it to hogs as to cattle. They also buy feeder cattle in the fall and sell them as fat cattle about 12 months later. Net returns from the cattle feeding enterprise will be small this year but returns from the business as a whole will be fairly good relative to other types of farms.

Prospects are for higher net returns on these farms in 1954, assuming continuation of feeding operations. Many farmers who bought feeder cattle last fall may decide not to take the risk again this year. On the average, Corn Belt farmers who bought feeder cattle in October 1952 and sold them as fat cattle in April 1953 got nothing for their work and only about 75 cents a bushel for the corn they fed. The price of choice grade slaughter steers at Chicago was about $4.00 per hundredweight higher in late September than in April 1953.

Some parts of the cattle feeding area will have lower corn yields this fall but other parts will have one of the largest crops ever harvested. Low returns from cattle feeding will be partly offset by higher returns from hogs in 1953 despite an 8 percent drop in the number of hogs sold.

Cotton Farms

If mid-September 1953 prices for cotton and cottonseed prevail throughout the remainder of the season net farm incomes in 1953 on most cotton farms will be about 10 percent below those of 1952. Prices farmers receive for lint are now from 5 to 10 percent below the season average price of last year and cottonseed prices are down about 25 percent. Prices received for most other products sold on cotton farms are below a year ago, but prices paid for all production items except feed have remained nearly the same or have increased since last year.

If cotton allotments are in effect in 1954 net farm incomes on most cotton farms are likely to be substantially below those of recent years unless prices received for lint and seed are considerably above present levels.

Southern Piedmont Cotton Farms

At present cotton prices the net farm income for 1953 on southern Piedmont cotton farms is estimated at about $1,350 or 10 percent below 1952. The yield of cotton is slightly lower than in 1952 and somewhat below normal. However, most of the reduction in income results from less favorable price-cost relationships. With acreage allotments and average yields in 1954 and prices for cotton lint and seed at September 1953 levels, the net farm income in 1954 might average around $1,100 or about 20 percent below 1953 and 30 percent below 1952.

High Plains, Texas Cotton Farms

Dry weather in 1953 has cut cotton production on nonirrigated High Plains cotton farms nearly 80 percent below the 1952 crop. Approximately two-thirds of the acreage was abandoned and yields on the remaining acreage will average about 100 pounds lint compared with 156 pounds in 1952. If the grain sorghum planted on this abandoned acreage matures before frost, net farm incomes probably will average around $1,700; about 70 percent below the income in 1952. An early frost, of course, would reduce incomes substantially below this estimate. With acreage allotments, average yields, and present cotton prices, net farm incomes on these cotton farms probably would average about $4,000 in 1954. This is considerably above the 1953 estimate but 25 percent below 1952.

Wheat-Small Grain-Livestock Farms, Northern Plains

Net farm incomes in 1953 on family-operated wheat farms in the Northern Plains probably will average around $4,400; about 20 percent above 1952 incomes. Yields of wheat and flax in 1953 will average about the same as in 1952, but yields of oats, barley and hay will be higher. However, 1953 yields were well below average. The wheat crop, particularly durum and late-planted other spring wheat was damaged severely by stem rust and hot, dry weather at filling time. Cost rates for most production items have changed little from 1952 to 1953. Wage rates for hired labor, and taxes, however, are slightly higher. Total cash expenditures in 1953 will average slightly lower than in 1952 on these farms mostly because fewer new machines were bought and less was spent for new buildings and remodeling of existing farm buildings.

With normal yields in 1954 and expected changes in crop acreages because of acreage allotments for wheat, net farm incomes in 1954 on wheat farms in the Northern Plains might average 10 to 15 percent above those of 1953. However, if crop yields in 1953 had been up to normal the net farm income in 1953 would have been 20 percent higher than the prospects for 1954.

Effect of Rent and Interest Payments on Farm Returns

The estimates of net income presented above for the 6 types of farms are calculated on an owner-operator basis with no allowance for rent and interest paid. Under actual operating conditions, dairy farms and other livestock farms tend to be owner-operated but with various degrees of indebtedness. On the other hand, many of the spring wheat and cotton farms are operated by tenants. By assuming that all types of farms are operated under the same conditions of ownership the incomes from different types of farms are directly comparable. However, actual conditions of tenure and indebtedness vary among farms and returns to the operators vary with tenure and debt status.

Charges for the use of borrowed and rented capital and the return to operator and family on a wheat-small grain-livestock farm under four sets of assumptions relative to tenure and debt status are given in table 8.

Table 8.- Rent and interest paid and return to operator and family under different assumptions of tenure and debt status, wheat-small grain-livestock farms, Northern Plains, 1937-41 and 1953

Tenure and debt status	Rent and interest paid		Return to operator and family 1/	
	1937-41 av.	1953	1937-41 av.	1953
A. Owner-operated:	$	$	$	$
1. No debts	0	0	872	4,384
2. Average mortgage on real estate and no debts on working assets or operating capital	199	219	673	4,165
3. Fifty percent equity in real estate, livestock & machinery, no other debts	252	938	620	3,446
B. Tenant operated:				
1. Pays one-third of grain as rent	2/ 281	2/1,968	591	2,416

1/ Net income available to operator and family for their labor and management and their investment in the farm business.

2/ Net rent, value of crops less landlord's expenses.

For farmers with relatively high debts and for tenants the situation in 1953 is quite different from what it was in 1937-41. Owner-operators with a 50 percent equity in their land and building, livestock and machinery paid 3 to 4 times as much for the use of capital in 1953 as in 1937-41, and share tenant paid about 6 to 7 times as much. With lower yields or lower prices, however, the value of the rent paid by the tenant would be lower, but the fixed payment of the owner-operator with large debts would remain the same.

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